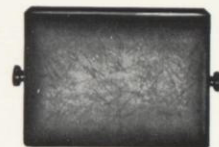
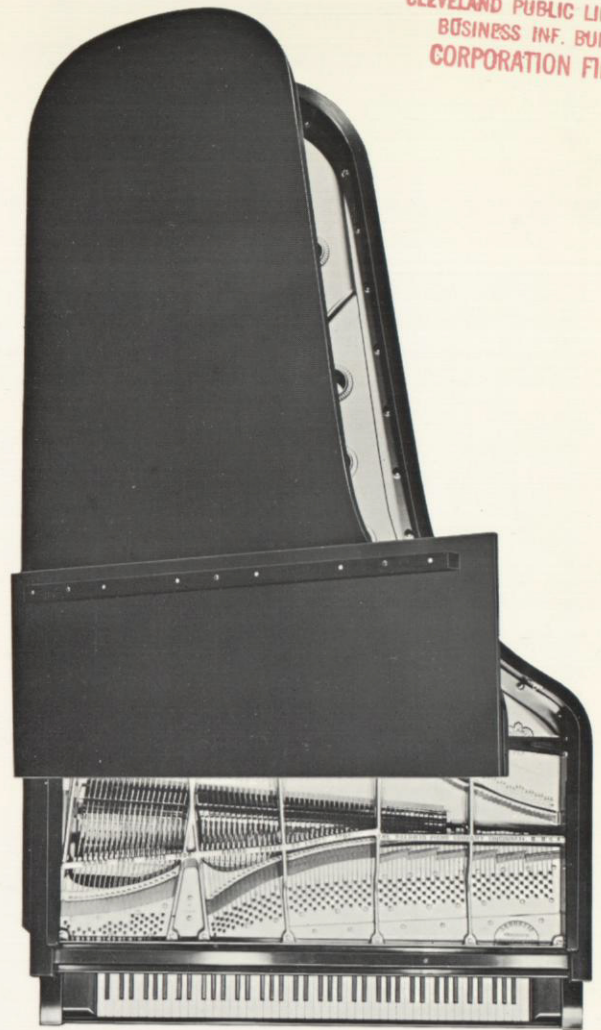
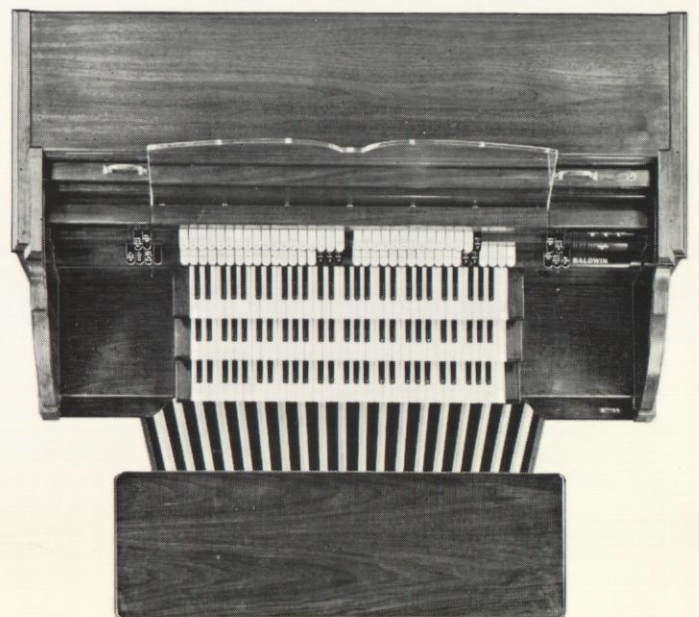


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BUSINESS INF. BUR.
CORPORATION FILE



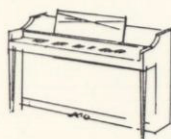
THE BALDWIN PIANO COMPANY/ANNUAL REPORT

98TH YEAR ENDING DECEMBER 31, 1960





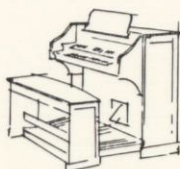
THE BALDWIN GRAND



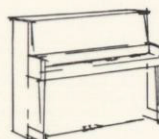
THE ACROSONIC PIANO



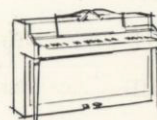
THE ORGA-SONIC ORGAN



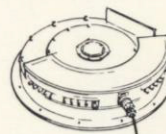
THE BALDWIN ORGAN



THE HAMILTON PIANO



THE HOWARD PIANO



THE BALDWIN ENCODER

THE BALDWIN PIANO COMPANY/ANNUAL REPORT

DIRECTORS

98TH YEAR ENDING DECEMBER 31, 1960

ROBERT E. FANNING
JOHN F. JORDAN
LAWRENCE H. KYTE
WILLIAM A. MITCHELL
JAMES M. E. MIXTER
A. J. SCHOENBERGER
EUGENE WULSIN
LUCIEN WULSIN
PHILIP WYMAN

OFFICERS

LUCIEN WULSIN *President*
PHILIP WYMAN *Vice President*
A. J. SCHOENBERGER *Vice President and Treasurer*
EUGENE WULSIN *Vice President*
JOHN F. JORDAN *Vice President*
JAMES M. E. MIXTER *Vice President*
R. F. COGHILL *Secretary*
IRWIN STUMBORG *Assistant Treasurer*
MORLEY P. THOMPSON *Assistant Treasurer and Assistant Controller*
CHARLES G. LINDEMAN *Assistant Controller*
L. H. ELLIS *Assistant Secretary*

GENERAL OFFICES and EXPORT OFFICE Gilbert Avenue, Cincinnati

SUBSIDIARY COMPANIES The Baldwin Piano Company (Canada) Limited

A. R. & T. Electronics, Inc.

GENERAL COUNSEL Kyte, Conlan, Wulsin and Vogeler

CERTIFIED PUBLIC ACCOUNTANTS Peat, Marwick, Mitchell & Co.

DEALERS In all principal cities in the United States and throughout the world.

COMPANY-OWNED SALES OFFICES Boston / Chicago / Cincinnati / New York / Denver / Kansas City
Los Angeles / Louisville / Pittsburgh / St. Louis / San Francisco

**REPORT OF THE
PRESIDENT
TO THE STOCKHOLDERS OF THE BALDWIN PIANO COMPANY**

Sales for the year 1960 were \$33,683,000, compared with \$33,811,000 for 1959.

After provision for Federal Income Taxes, earnings for the year 1960 amounted to \$1,511,000 compared to \$1,461,000 in 1959.

The Balance Sheet as of December 31, 1960, with comparative figures for 1959, is shown on Pages 4 and 5 and Statement of Income and Earned Surplus on Page 6 of this report. Your attention is also directed to the explanatory notes to these financial statements.

On December 31, 1960, total Current Assets amounted to \$24,390,000 and total Current Liabilities to \$6,510,000, a ratio of 3.7 to 1.

Our piano and organ sales showed an increase of \$591,000 over the last year. This increase came largely from the new Howard piano, first introduced in 1959. Sales other than musical instruments represent only 6.6% of our total business.

The woodworking plant, which has been constructed to our specifications at Greenwood, Mississippi, and leased to us for a long term by Leflore County, Mississippi, was completed last November.

We expect, shortly, to be receiving delivery of organ cases from Greenwood. We believe that this new plant will be a profitable investment over the coming years and reduce the amount of money we have had to pay to outside suppliers. However, it is going to take most of this year to train the new force to the point where they can efficiently meet our exacting quality requirements.

Our Canadian subsidiary, The Baldwin Piano Company (Canada) Limited, has established a small assembly plant for electronic organs in leased premises in Toronto, Ontario. Operations started there on September 1st last. At first we shipped sub-assemblies from Cincinnati. We have been developing Canadian sources of supply, so that at present our Canadian production is made from Canadian materials, except for a few special parts, which it is more advantageous to import from the U. S. With a Canadian-made organ, we feel we shall be able to increase our Canadian business.

We have started production on a new 3-manual organ which incorporates many new features of design, the result of cooperation between our research staff and musical consultants. The great advances that have been made in the application of electronic principles to organ tone in our laboratories, coupled with an increasing public interest in larger electronic organs, have led to this development. The new organ, which is known as the Baldwin Model 12, has been well received. It employs the best modern concepts of organ tonal design, and is unique in that it offers tonal specifications and flexibility not matched by any other electronic organ.

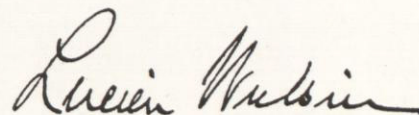
1961 will also see the production in quantity of a new medium-priced organ and a new model Howard piano. The early response to both has been most enthusiastic.

On the recommendation of our accountants, with approval of the U. S. Treasury Department, effective January 1, 1961, we have changed the method of reporting income from our installment sales for income tax purposes, from what is called the Accrual Method to the Installment Method. Under the Installment Method, while there is no change in the amount of income tax eventually paid, the payment of the tax is deferred to the time when the money is received from the customer. This deferral of tax payments will result over a period of time in a material increase in the working capital of the Company. In order to accomplish this change, the Company sold the installment receivables on hand December 31, 1960 to a group of banks. Details are set forth in Note 1 to the Financial Statements. As in the past the Company continues to make the collections on all accounts. Starting in January, 1961, all new installment accounts are owned by Baldwin in the usual manner, and, as these accounts build up in the coming months, they will require all the funds currently in short-term investments. In our published statements to stockholders and others, we shall make no change in the method of reporting income from our installment business.

In December, 1960, the Board of Directors revised our Salaried Employees' Retirement Plan. This change added \$330,000 to operating expenses in the year 1960. With this amendment, we believe our employee benefits are in line with current practices.

The starting of new plants and the introduction of new products, coupled with a current lower level of general business activity, may well be reflected in lower earnings for 1961. This presents a challenge which will require vigorous selling and the most efficient manufacturing operations.

Respectfully submitted,



President

Cincinnati, March 28, 1961

CONSOLIDATED BALANCE SHEET—THE BALDWIN PIANO COMPANY

ASSETS	1960	1959
CURRENT ASSETS:		
Cash.....	\$ 1,379,617	\$ 1,122,560
Certificates of deposit.....	1,250,000	—
U. S. Government and other marketable securities at cost (approximately market value)...	4,756,826	—
Receivables (note 1):		
Installment accounts.....	\$ 320,592	\$ 9,802,872
Amounts withheld by banks on \$12,600,000 of installment accounts sold.....	1,833,500	—
Miscellaneous.....	1,060,452	330,253
	<u>3,214,544</u>	<u>10,133,125</u>
Less reserve for losses including possible losses on installment accounts sold to banks.....	<u>1,541,779</u>	<u>1,485,166</u>
	1,672,765	8,647,959
Government contracts—billings and inventories, less progress payments received \$208,922—1960 (note 2)	661,198	1,117,233
Inventories (note 2):		
Finished goods.....	10,467,502	8,087,430
Work in process.....	2,191,625	2,127,577
Raw materials and manufacturing supplies..	<u>1,740,061</u>	<u>2,211,387</u>
	14,399,188	12,426,394
Prepaid expenses.....	270,190	184,903
Total current assets.....	<u>24,389,784</u>	<u>23,499,049</u>
INSURANCE DEPOSITS.....	149,018	154,779
PLANT AND EQUIPMENT—AT COST (note 3)	8,668,532	8,518,583
Less allowance for depreciation.....	<u>4,282,106</u>	<u>3,937,475</u>
	<u>4,386,426</u>	<u>4,581,108</u>
	<u>\$28,925,228</u>	<u>\$28,234,936</u>

See accompanying notes to financial statements.

AND SUBSIDIARIES—December 31, 1960 with Comparative Figures for 1959

LIABILITIES	1960	1959
CURRENT LIABILITIES:		
Notes payable:		
Banks.....	\$ —	\$ 800,000
Long-term debt—current portion.....	402,160	2,160
	<u>402,160</u>	<u>802,160</u>
Accounts payable, including taxes withheld and collected (\$879,975 and \$649,740).....	1,439,317	2,155,822
Accrued liabilities.....	2,221,156	1,875,810
Federal taxes on income, less U.S. tax anticipation certificates at cost, \$669,336—1960...	1,501,949	1,477,617
Deferred income, less Federal and state income tax thereon \$893,100 (note 1)	784,669	—
Customers' deposits.....	160,301	178,187
	<u>6,509,552</u>	<u>6,489,596</u>
Total current liabilities.....		
LONG-TERM DEBT—less current portion (note 4).....	5,212,240	5,619,440
PROVISION FOR PENSION COSTS—less current portion (note 5).....	127,927	138,643
RESERVES APPROPRIATED FROM EARNED SURPLUS (note 6)	5,060,000	5,060,000
CAPITAL AND SURPLUS (notes 4 and 7):		
Capital stock:		
6% cumulative preferred, par value \$100 per share; authorized 2,327 shares; outstanding 1,613 shares.....	\$ 161,300	\$ 161,300
Cumulative preferred, par value \$100 per share; authorized 60,000 shares; outstanding—none.....	—	—
Common, par value \$8 per share; authorized 500,000 shares; outstanding 275,592.6 shares.....	2,204,740	2,204,740
	<u>2,366,040</u>	<u>2,366,040</u>
Excess of fair value over par value of common stock dividend.....	124,403	124,403
Capital surplus.....	130,317	130,317
Earned surplus.....	9,394,749	8,306,497
	<u>12,015,509</u>	<u>10,927,257</u>
	<u>\$28,925,228</u>	<u>\$28,234,936</u>

STATEMENT OF CONSOLIDATED INCOME AND EARNED SURPLUS

The Baldwin Piano Company and Subsidiaries

Year ended December 31, 1960 with comparative figures for 1959

INCOME:	1960	1959
Net sales.....	\$33,682,721	\$33,811,040
Carrying charges on installment sales.....	1,146,852	1,038,838
	<u>34,829,573</u>	<u>34,849,878</u>
 EXPENSES:		
Cost of sales and operating expenses (exclusive of the following).....	29,858,286	30,218,147
Taxes, other than Federal taxes on income.....	750,498	674,443
Depreciation and amortization.....	542,769	526,743
Interest.....	466,711	364,685
	<u>31,618,264</u>	<u>31,784,018</u>
Income before Federal taxes on income.....	3,211,309	3,065,860
FEDERAL TAXES ON INCOME.....	1,700,000	1,605,000
Net income for year.....	1,511,309	1,460,860
 EARNED SURPLUS AT BEGINNING OF YEAR.....	8,306,497	7,268,694
	<u>9,817,806</u>	<u>8,729,554</u>
 DEDUCT:		
Dividends declared:		
Preferred stock—\$6.00 per share.....	9,678	9,678
Common stock—\$1.50 per share.....	413,379	413,379
	<u>423,057</u>	<u>423,057</u>
EARNED SURPLUS AT END OF YEAR.....	<u>\$ 9,394,749</u>	<u>\$ 8,306,497</u>

See accompanying notes to financial statements.

Notes to Consolidated Financial Statements

1. In 1961, the Company adopted the installment method of reporting income on installment sales for Federal Income Tax purposes, and in connection therewith sold as of December 31, 1960, its interest in certain installment accounts including carrying charges as of that date. The income resulting from the sale of carrying charges has been deferred and will be reflected as income in the Company's statements over the lives of the installment contracts in the same manner as has been done in the past. Under the terms of the sale agreement the purchasers of the accounts withheld approximately \$1,830,000 of the sales proceeds to cover possible losses in connection with the collection of the accounts.

2. In accordance with the Company's consistent policy, inventories are stated at the lower of cost (first-in, first-out) or market with the exception that the valuation of work in process includes no manufacturing overhead costs. The omission of overhead from inventories had no material effect upon net income (after taxes) for the year 1960.

3. In 1960, the Company entered into an agreement providing for the leasing of a plant, from Leflore County, Mississippi, for 25 years with an option to renew the lease for 99 years in the aggregate.

The County has issued bonds in the amount of \$3,000,000 and the Company has agreed to pay as rent, during the primary term, a sum equal to the principal of the bonds, plus interest and handling charges.

4. Long-term debt, exclusive of portion due within one year is as follows:

	1960	1959
Note, 5%, due December 20, 1974 payable \$400,000 annually commencing in 1961.....	\$5,200,000	\$5,600,000
Mortgage note, 4%, due October 7, 1962, payable in equal quarterly installments of \$540.....	12,240	19,440
	<u>\$5,212,240</u>	<u>\$5,619,440</u>

The loan agreement pertaining to the note due December 20, 1974 contains certain restrictions on the payment of dividends on the Company's common stock (other than those payable in capital stock of the Company), and on the amounts which may be used for the purchase, redemption, or retirement of the Company's capital stock. There are no restrictions, however, on the payment of dividends until after March 31, 1961. After that date the Company may not pay any dividends on its common stock unless 70% of the consolidated net earnings from January 1, 1959 shall equal or exceed the aggregate amount of all restricted payments made after December 31, 1958, including dividends paid on its common stock during the period between January 1, 1959 and March 31, 1961.

5. For certain employees who were not eligible for participation in the retirement income plans, the Company maintains a plan which provides for pensions upon retirement. The Company fully provided for the estimated costs in prior years.

The Company also maintains retirement income plans for eligible employees under agreements with a pension trustee. The potential liability for past service benefits, which is being funded over a period of approximately 25 years, amounted to \$4,900,000 as of December 31, 1960.

6. The reserves appropriated in prior years from earned surplus are to provide for abnormal inventory fluctuations, additional plant depreciation, research and development, and any other contingencies which may arise.

7. In 1960, the Company adopted a stock option plan for certain employees. At December 31, 1960, there were outstanding options to purchase 4,850 shares of common stock at a price equal to the market value on the date of granting.

8. The Company's sales under government contracts are subject to renegotiation, any excess profits thereon are refundable to the United States Government. Management is of the opinion that refunds, if any, will not be material.

ACCOUNTANTS' REPORT

PEAT, MARWICK, MITCHELL & Co.

CERTIFIED PUBLIC ACCOUNTANTS

DIXIE TERMINAL BUILDING

CINCINNATI 2, OHIO

The Board of Directors and Stockholders
The Baldwin Piano Company:

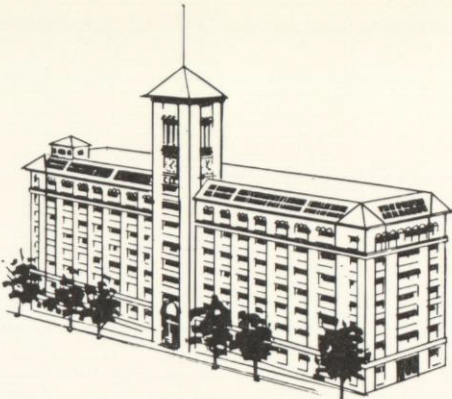
We have examined the consolidated balance sheet of The Baldwin Piano Company and subsidiaries as of December 31, 1960 and the related statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and earned surplus present fairly the financial position of The Baldwin Piano Company and subsidiaries at December 31, 1960 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

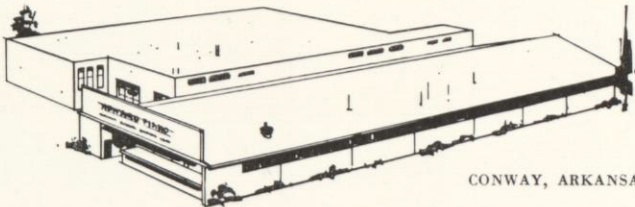
Peat, Marwick, Mitchell & Co.

Cincinnati, Ohio
March 20, 1961

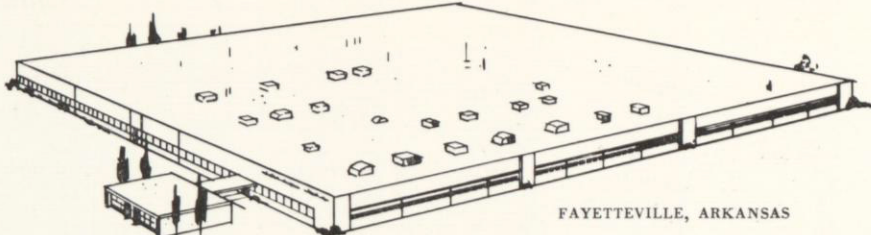
EXPANDING FACILITIES



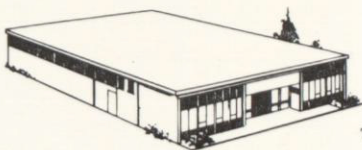
CINCINNATI, OHIO



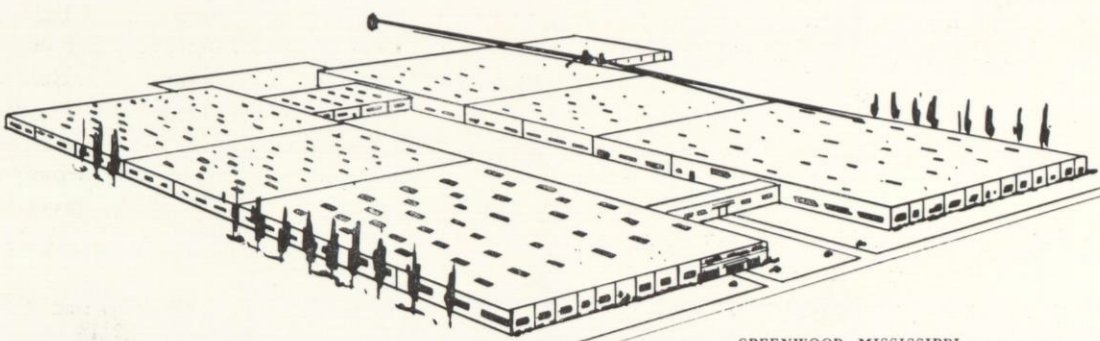
CONWAY, ARKANSAS



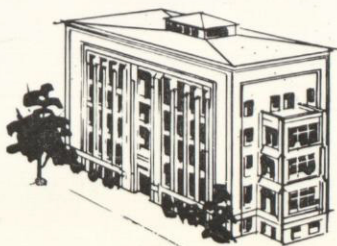
FAYETTEVILLE, ARKANSAS



TORONTO, CANADA



GREENWOOD, MISSISSIPPI



LITTLE ROCK, ARKANSAS

